



Financial Statements  
June 30, 2013

# South Dakota Soybean Research & Promotion Council

# South Dakota Soybean Research & Promotion Council

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June 30, 2013

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CPAs & BUSINESS ADVISORS

## Independent Auditor's Report

The Board of Directors  
South Dakota Soybean Research & Promotion Council  
Sioux Falls, South Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the South Dakota Soybean Research & Promotion Council which comprise the statement of assets, liabilities, and fund balance, arising from cash transactions as of June 30, 2013, and the related statement of receipts, expenditures, and changes in fund balance arising from cash transactions – budget and actual for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting describe in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance arising from cash transactions of the South Dakota Soybean Research & Promotion Council as of June 30, 2013, and the revenues it received and expenditures it paid and changes in fund balance and the respective budgetary comparison for the year then ended, on the basis of accounting described in Note 1.

**Basis for Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

**Emphasis of Matter**

As described in Note 1, these financial statements present only the South Dakota Soybean Research & Promotion Council and do not purport to, and do not, present fairly the financial position of the State of South Dakota, as of June 30, 2013, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplemental Information*

The South Dakota Soybean Research & Promotion Council has not presented Management's Discussion and Analysis (MD&A) or certain budgetary information as required by the Governmental Accounting Standards Board that has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Other information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The Listing of Council Officials, page 16, and the Contracts in Progress Schedule, page 17, which is the responsibility of management, are presented for purposes of supplementary information and are not a required part of the basic financial statements. The listings have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2013, on our consideration of the South Dakota Soybean Research & Promotion Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Dakota Soybean Research & Promotion Council's internal control over financial reporting and compliance.

In connection with our audit, and except as discussed in the Schedule of Findings and Responses as Finding 2013-B, nothing came to our attention that caused us to believe that the South Dakota Soybean Research & Promotion Council failed to comply with the terms, insofar as they relate to the accounting matters of the Soybean Promotion, Research and Consumer Information Act of 1990 (the "Act") and the Soybean Promotion and Research Order (the "Order") relative to the use of funds collected by the State Board and with the terms described in Section 1220.228(a) of the Order relative to prohibited uses of funds collected by the State Board.

In connection with our audit, nothing came to our attention that caused us to believe the South Dakota Soybean Research & Promotion Council failed to comply with terms insofar as they relate to the accounting matters of the Act and the Order relative to the investment of funds collected by the State Board and with provisions of Section 1220.211(j). However, our audit was not directed primarily toward obtaining knowledge of such noncompliance in the use and investment of funds.

*Esda Bailly LLP*

Sioux Falls, South Dakota  
October 2, 2013

South Dakota Soybean Research & Promotion Council  
Statement of Assets, Liabilities and Fund Balance Arising from Cash Transactions  
June 30, 2013

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Assets

Cash and cash equivalents	
Cash in checking	\$ 116,265
Investment in State Treasury Cash Management Pool	<u>8,237,497</u>
Total Assets	<u>\$ 8,353,762</u>

Fund Balance

Restricted fund balance	<u>\$ 8,353,762</u>
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**South Dakota Soybean Research & Promotion Council**  
**Statement of Receipts, Expenditures, and Changes in Fund Balance Arising from Cash Transactions –**  
**Budget and Actual**  
**Year Ended June 30, 2013**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Receipts</b>			
Assessment revenue collected			
Collected from first purchasers	\$ 10,137,000	\$ 8,762,814	\$ (1,374,186)
Collected from other QSSBs	-	799,294	799,294
Collected from late fees	500	-	(500)
Total assessments collected	10,137,500	9,562,108	(575,392)
<b>Less</b>			
Assessment receipts remitted to USB	5,031,000	4,980,509	50,491
Assessment receipts remitted to other QSSBs	75,000	152,217	(77,217)
Net assessment receipts collected	5,031,500	4,429,382	(602,118)
<b>Grants</b>			
USB BioDiesel grants	-	-	-
USB Animal Ag grant	-	-	-
USB Smith Bucklin	-	52,939	52,939
USB Communications grants	-	24,345	24,345
Total grants	-	77,284	77,284
<b>Other</b>			
Interest	330,000	189,064	(140,936)
Miscellaneous income	-	9,076	9,076
Total other	330,000	198,140	(131,860)
Total receipts	5,361,500	4,704,806	(656,694)
<b>Expenditures</b>			
Programs			
Promotion	1,681,424	1,452,273	229,151
Research	1,636,899	1,239,625	397,274
Consumer information	271,560	200,639	70,921
Producer communications	1,323,641	1,275,950	47,691
Total programs	4,913,524	4,168,487	745,037
Administration			
Program operations	366,523	287,399	79,124
Equipment	39,068	28,793	10,275
Total administration	405,591	316,192	89,399
Total expenditures	5,319,115	4,484,679	834,436
Excess of Receipts over Expenditures	42,385	220,127	177,742
Fund Balance, Beginning of Year	8,133,635	8,133,635	-
Fund Balance, End of Year	\$ 8,176,020	\$ 8,353,762	\$ 177,742

## **Note 1 - Summary of Significant Accounting Policies**

### **Reporting Entity**

The South Dakota Soybean Research & Promotion Council (the Council) is certified as a Qualified State Soybean Board (QSSB) as defined in section 1220.228 of the Soybean Promotion and Research Order in the Federal Register (volume 56, 131) and is a state agency established under and governed by the laws of the State of South Dakota (State). The Council administers programs and activities that are subject to the 1990 Federal legislation titled Soybean Promotion, Research and Consumer Information Act (the Act). The Act was effective September 1, 1991. The Council is exempt from state and federal income taxes.

In accordance with Government Accounting Standards Board (GASB) Codification Section 2100, *The Financial Reporting Entity*, the Council should include all component units over which the Board exercises such aspects as (1) appointing a voting majority of an organization's governing body and (2) has the ability to impose its will on the organization, or (3) the potential for the organization to provide specific benefits to, or impose specific burdens on the Council. GASB Codification Section 2100.119, *Determining Whether Certain Organizations are Component Units* further defined reporting units as a legally separate tax exempt affiliated organization that meet all of the following criteria:

- The economic resources of the organization entirely or almost entirely directly benefit the Council or its constituents, and
- The Council or its component units are entitled to or can otherwise access, a majority of the economic resources of the organization, and
- The economic resources that the Council is entitled to, or can otherwise access, are significant to the Council.

Based upon criteria set forth in GASB Codification Section 2100.119, no organizations were determined to be part of the reporting entity.

### **Fund Accounting**

The accounts of the Council are organized on the basis of a fund which is considered to be a separate accounting entity. The operations of the fund are accounted for with a self-balancing set of accounts that comprise its assets, fund balance, receipts and expenditures. Government resources are allocated to and accounted for in the fund based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

### **Governmental Fund Type**

The Soybean Check-Off Fund is a special revenue fund of the State maintained for the collection and disbursement of soybean check-off assessments. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The State has granted the Council the authority to administer assets held in the Soybean Check-off Fund.

### **Basis of Accounting**

The Council's accounts are maintained on the cash basis, and the statements of receipts, expenditures, and changes in fund balance arising from cash transactions – actual and budget and the statement of assets, liabilities, and fund balance arising from cash transactions reflect only cash received and disbursed.

### **Cash and Cash Equivalents**

Cash and investments include cash on hand, demand deposits and a participating interest in the State's internal investment pool held by the State Treasurer. The amount held in the State's internal investment pool is reported at fair value.

Management of the State's internal investment pool is the statutory responsibility of the South Dakota Investment Council (SDIC). The investment policy and required risk disclosures for the State's internal investment pool are presented in the SDIC's audit report which can be obtained by contacting the Department of Legislative Audit, 427 South Chapelle, c/o 500 East Capitol, Pierre, South Dakota 57501. Funds on deposit with the State Treasury are invested by the State Investment Officer pursuant to SDCL 4-5-23 with the Council getting its proportionate share of interest income under SDCL 4-5-30. The Council did not have privately held investments as June 30, 2013.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Council does not have a deposit policy for custodial credit risk. The bank account is insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the year, the Council's bank balance exceeded this limit.

### **Fund Balance**

Restricted fund balance represents revenues that are externally restricted or revenues that have restrictions imposed upon them, limited to the requirements of the Act.

### **Subsequent Events**

The Council has evaluated subsequent events through October 2, 2013, the date which the financial statements were available to be issued.



**Note 2 - Check-Off Fees**

Pursuant to the Act, an assessment of one-half of one percent of the net market price of soybeans grown in the State or sold to a first purchaser in the State is deducted from the purchase price of the soybeans by the first purchaser and remitted to the Council within thirty days of the end of each calendar quarter. One half of the collected assessments must be remitted to the United Soybean Board (USB) by the last day of the month following the quarter in which the assessment was remitted to the Council.

**Note 3 - South Dakota Soybean Association**

The Council contracts on a yearly basis with the South Dakota Soybean Association (the Association) to carry out programs designed to benefit the soybean industry. These programs include providing promotional, consumer, producer, and industry information to various entities and organizations worldwide. Additionally, the Council contracts on a yearly basis with the Association to share employees, including the Executive Director; office space; and certain overhead expenses.

For the year ended June 30, 2013, the total costs paid by the Council to the Association were \$584,938, and the total costs paid by the Association to the Council were \$33,408.

**Note 4 - Description of Financial Activity**

The titles and description for significant accounts that are used by the Council are as follows:

**Receipts**

*Collected from first purchasers* – assessments collected from South Dakota based first purchasers of soybeans, either sold or forfeited in lieu of loan payments

*Collected from other QSSBs* – assessments collected from other QSSB as a result of South Dakota based producers selling soybeans to an out-of-state purchaser

*Assessment receipts remitted to USB* – remittances to the USB are half of the total assessment receipts collected; net of refunds, remittances to other QSSBs, and allowable collection costs

*Assessment receipts remitted to other QSSBs* – remittances of assessments collected from South Dakota based first purchasers to the QSSB entitled to the receipt based on the producer's location

# South Dakota Soybean Research & Promotion Council

Notes to Financial Statements

June 30, 2013

## Disbursements

*Promotion* – any action, including ads, technical assistance, or trade serving to enhance the desirability of soybeans in international and domestic markets

*Research* – any type of study to advance the image, desirability, marketability, production, product development, quality, functional, or nutritional value of soybeans

*Consumer information* – information that will assist consumers in making purchase decisions about buying and using soybeans and soybean products

*Producer communications* – reporting to soybean producers of the Council's activities and an accounting for funds received and expended

*Program operations* – expenditures associated with the cost to conduct the activities of the Council and the Council's Board of Directors and expenses directly related to the activities conducted by the South Dakota Department of Agriculture for concentrated management services of fee collection, fiscal and personnel services, and data processing services

## Note 5 - Statement of Expenditures Paid – Budget and Actual (Budgetary Basis)

The Council provides an informational budget to the State approximately two years in advance of the start of the fiscal year. The results of actual operations compared to the informational budget for the year ending June 30, 2013, are as follows:

	Budgeted	Actual	Variance
Contractual services, including amounts remitted to the USB and other QSSBs recorded as a reduction of revenue	\$ 5,495,713	\$ 5,344,178	\$ 151,535
Grants and subsidies	4,014,465	3,953,867	60,598
Employee salaries and benefits	336,574	309,457	27,117
Supplies and materials	11,500	9,903	1,597
Expenditures prior to remittance payments	<u>\$ 9,858,252</u>	9,617,405	<u>\$ 240,847</u>
Less amounts remitted to the USB and other QSSBs recorded as a reduction of revenue		<u>(5,132,726)</u>	
Total expenditures		<u>\$ 4,484,679</u>	

Prior to the start of the fiscal year, the Council reviews the informational budget and makes changes as needed based on the current operational environment. The updated budget is approved by the Board and submitted to the USB and the United States Department of Agriculture's Agriculture Marketing Service. The budget shown on the statement of receipts, expenditures, and changes in fund balance arising from cash transactions – budget and actual in the accompanying financial statements differs from the informational budget shown above as it reflects the changes made to the informational budget prior to the start of the fiscal year.

**Note 6 - Operating Leases**

The Council has entered into leases for office space and office equipment under long-term operating leases. Under the office space lease arrangements, the Council pays all utilities and its share of the property taxes, insurance, maintenance and expenses related to the leased property.

The lease agreement for office space expires on June 30, 2016. Operating lease expense for the year ended June 30, 2013, was \$58,186. The estimated future minimum lease payments at June 30, 2013, are summarized as follows:

<u>Year Ending June 30,</u>	<u>Office Space</u>	<u>Office Equipment</u>
2014	\$ 50,488	\$ 11,398
2015	46,604	11,398
2016	46,604	5,148
2017	-	1,287
2018	-	-

**Note 7 - Risk Management**

The Council is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council carries commercial insurance for all significant risks of loss.

**Note 8 - Future Commitments**

The Council has committed approximately \$2,700,197 for funding of projects that were uncompleted as of June 30, 2013. These projects relate to soybean research, promotion, and other various activities aimed at enhancing consumer and producer awareness of soybeans and soybean related issues. The Council has paid approximately \$1,911,532 towards these projects as of June 30, 2013, and expects to pay the remaining \$788,665 during 2014.

In addition, the Council has committed to provide approximately \$4,069,222 in funding for projects to be completed during 2014. As of June 30, 2013, the entire amounts of these commitments remain outstanding.

**Note 9 - Retirement Plan**

The Council participates in the South Dakota Retirement System (SDRS), a cost-sharing, multiple-employer defined benefit pension plan established to provide retirement, disability, and survivor benefits for employees of the State and its political subdivisions. Authority for establishing, administering, and amending plan provisions is found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements, footnote disclosures, and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Employees are required by state statute to contribute six percent of their salary to the plan. State statute also requires the employer to contribute an amount equal to the employee's contribution. The right to receive retirement benefits vests after three years of credited service. The Council's contributions to the SDRS for the years ended June 30, 2013, 2012, and 2011 were \$13,512, \$12,687, and \$10,215, respectively, equal to the required contributions for each year.

**Note 10 - Accumulated Unpaid Vacation and Sick Leave**

Annual leave is earned on a biweekly basis by employees at a rate based on their years of service. Upon termination employees are entitled to receive compensation for their accrued annual leave balance.

Sick leave is earned by the employees at the rate of approximately 4.67 hours per biweekly payroll period. Employees who have been continuously employed by the State for at least seven years prior to the date of their retirement, voluntary resignation, or death will receive payment equal to one-fourth of their accumulated unused sick leave, not to exceed 480 hours.

As of June 30, 2013, balances for accrued vacation and sick leave were \$11,468 and \$6,407, respectively. Because the Council's accounts are maintained on the cash basis of accounting, these liabilities are not reflected in the accompanying financial statements.



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**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on the Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

The Board of Directors  
South Dakota Soybean Research & Promotion Council  
Sioux Falls, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the South Dakota Soybean Research & Promotion Council (the Council), a special revenue fund of the State of South Dakota, as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated October 2, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered SD Soybean Research & Promotion's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SD Soybean Research & Promotion's internal control. Accordingly, we do not express an opinion on the effectiveness of SD Soybean Research & Promotion's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not yet been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as Finding 2013-A that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether South Dakota Soybean Research & Promotion Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the schedule of findings and responses as Finding 2013-B.

**The Council's Responses to Findings**

South Dakota Soybean Research & Promotion Council's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. South Dakota Soybean Research & Promotion Council's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Sioux Falls, South Dakota  
October 2, 2013

**Finding 2013-A - Preparation of Full Disclosure Financial Statements**

Criteria:	Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.
Condition:	The Council does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.
Cause:	The Council has limited staff. They cannot justify having an individual on staff with the proper accounting skills necessary for preparing the draft financial statements and accompanying notes to the financial statements.
Effect:	Inadequate controls over financial reporting of the Council could result in the likelihood that the Council would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.
Recommendation:	While we recognize that this condition is not unusual for an organization of your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial accounting and reporting requirements of the Council as well as changes in these requirements.
Response:	Since it is not cost-effective for an organization of our size to have an individual on staff to prepare audit-ready financial statements, we have chosen to hire Eide Bailly, a public accounting firm, to prepare our financial statements as part of the annual audit. We have designated a member of management to review the propriety of the draft financial statements and accompanying notes to the financial statements.

**Finding 2013-B - Compliance with United Soybean Board (USB) Regulations**

Criteria:	Compliance with USB regulations includes maintaining contracts and disbursing funds in accordance with guidelines established in the USB's Compliance Manual.
Condition:	During the year under audit, the Council made 705 disbursements of check-off monies. We reviewed sixty of these disbursements and found that all of the disbursements tested complied with USB regulations regarding the use of check-off funds as defined by Section 1220.230 of the Soybean Promotion, Research, and Consumer Act of 1990. In connection with this procedure, we reviewed twenty-one contracts. We found four instances where the contracts had no documentation addressing rights of ownership of project results and/or retention of records. These contract provisions were added in the contracts for fiscal year 2014. In addition we noted one disbursement that, while in compliance with USB regulations regarding use of check-off funds, did not have a contract but should have based on the nature of the disbursement.

South Dakota Soybean Research & Promotion Council  
Schedule of Findings and Responses  
Year Ended June 30, 2013

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Effect: Not maintaining contracts in accordance with USB regulations could adversely affect the Council's compliance with USB regulations regarding the disbursement of check-off monies.

Cause: The Council established additional procedures designed to gather the required elements for the contracts. Two of the contracts noted above were initiated prior to the implementation of this new process by the Council.

Recommendation: We recommend that management review all contracts currently in place to ensure they contain all required provisions for compliance with USB rules. We recommend documenting in the contract file reasons for excluding required elements at the time the contract is drafted, if circumstances exist, where certain provisions are determined to not apply. We encourage the Council to maintain open communication with the USB and continue to review and develop procedures related to the securing of contracts.

Response: We recognize that compliance with USB regulations regarding the maintenance of contract files is important to ensuring check-off monies are disbursed in accordance with USB regulations. We have reviewed the USB Compliance Manual and regularly discuss compliance requirements with USB. We will continue to make improvements to our procedures to ensure our contracts are in compliance with USB regulations and will thoroughly review all externally generated contracts to ensure they contain the items required by USB.

Specifically, in addressing Finding 2013-B, as stated in the condition, there was one program without a contract and it was also stated that in four contracts, there was no documentation addressing rights of ownership project results and/or retention of records. The missing contract was for Heartland Ag Network. The Fiscal year in which this occurred, was two fiscal years ago (FY12). In FY 13 we had a Memo of Understanding and in FY14 we have a much more comprehensive contract in place. So we've corrected this finding. As for the four contracts missing rights of ownership language and/or retention of records language: In discussing rights of ownership, our USB compliance coordinator stated to us, depending on the nature of the project, rights to ownership language is not necessarily needed, but the compliance manual used by Eide Bailly in making this finding, should be updated to reflect the rights to ownership language. Management will bring this up to the United Soybean Board. Of the 4 contracts noted in the Condition for Finding 2013-B:

- Heartland Ag Network - (rights to ownership/records retention has been addressed in the newly signed FY14 contract) However rights to ownership language is not necessary for this project.
- National Biodiesel Board - (contract in question as listed in the Condition for 2013 - B is in reference to an FY12 contract, even though this is an audit for FY13. In FY 13 and FY 14 contracts for NBB, they have been corrected with the proper language in the contract they generate for us)
- National Biodiesel Board - (contract in question as listed in the Condition for 2013 - B is in reference to an FY12 contract, even though this is an audit for FY13. In FY 13 and FY 14 contracts for NBB, they have been corrected with the proper language in the contract they generate for us)



South Dakota Soybean Research & Promotion Council  
Schedule of Findings and Responses  
Year Ended June 30, 2013

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- Iowa soybean contract - (Iowa Soybean generates this contract which we sign. They are also overseen by the USDA and United Soybean Board. Since they generate the contract in which SD Soybean and other State Soybean Boards sign, we have brought it to their attention that future contracts need to address record retention and ownership issues, even though ownership language is not necessary for this project. Records retention language has been addressed with Iowa Soybean for the future)

Audit findings reported in the financial statements issued June 30, 2012, are as follows:

**Finding 2012-1 - Preparation of Financial Statements**

**Condition:** The Council does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

**Current Status:** The Council has determined that it is not cost-effective for an organization of their size to have an individual on staff to prepare audit-ready financial statements. They have chosen to hire Eide Bailly to prepare their financial statements as part of the annual audit. A member of management has been designated to review the propriety of the draft financial statements and accompanying notes to the financial statements. The finding was repeated at Finding 2013-A on the accompanying Schedule of Findings and Responses.

**Finding 2012-2 - Review of Significant Reconciliations and Oversight of Transactions**

**Condition:** The Council has a policy requiring oversight and review of monthly reconciliations of the funds held on deposit with the State of South Dakota (the State). The oversight and review of monthly reconciliations is occurring informally but is not being performed as a part of a consistent and documented process.

**Current Status:** The recommendation was adopted by the Council to develop procedures to ensure proper oversight over transactions underlying wire transfer requests which move check off funds from the State to the general checking account. The finding was not repeated on the accompanying Schedule of Findings and Responses.

**Finding 2012-3 - Compliance with United Soybean Board (USB) Regulations**

**Condition:** During the year under audit, the Council made 681 disbursements of check-off monies. We reviewed sixty of these disbursements and found that all of the disbursements tested complied with USB regulations regarding the use of check-off funds as defined by Section 1220.230 of the Soybean Promotion, Research, and Consumer Act of 1990. In connection with this procedure, we reviewed twenty-two contracts. We found three instances where contracts contain some, but not all of the information required by the USB. Exceptions included contracts with incomplete determination of project reporting requirements, and no documentation addressing rights of ownership of project results and/or retention of records. In addition we noted one disbursement that, while in compliance with USB regulations regarding use of check-off funds, did not have a contract but should have based on the nature of the disbursement.

**Current Status:** The Council adopted a Project Management System to help maintain compliance with USB regulations regarding project funding. However, we found instances in which the Council's contracts were not in compliance with certain USB regulations. The finding was repeated at Finding 2013-B on the accompanying Schedule of Findings and Responses.



Supplementary Information  
June 30, 2013

## South Dakota Soybean Research & Promotion Council

**South Dakota Research and Promotion Council Board**

David Iverson, Chairman  
Marc Reiner, Vice Chairman  
Monica McCranie, Secretary/Treasurer  
Bob Metz, Director  
Matt Bainbridge, Director  
Stan Hanson, Director  
Doug Hanson, Director

**South Dakota Research and Promotion Council Executive Director:**

Jeremy Freking

**United Soybean Board Directors:**

Bob Metz  
David Iverson  
Lewis Bainbridge

South Dakota Soybean Research & Promotion Council  
Contracts in Progress Schedule  
June 30, 2013

<u>FY 2013 - Project Description</u>	<u>Budgeted</u>	<u>Expended as of June 30, 2013</u>	<u>Remaining Balance June 30, 2013</u>
USSEC	\$ 288,575	\$ 98,711	\$ 189,864
Research	1,298,099	1,125,704	172,395
USMEF	156,400	-	156,400
Enhancing Bioprocessing Research	110,000	18,877	91,123
USAPEEC	168,600	111,645	56,955
STARRS	32,000	-	32,000
See for yourself	70,000	45,990	24,010
Aquaculture	349,393	329,820	19,573
Mitchell Tech	15,000	-	15,000
Harms Oil testing	15,000	2,493	12,507
Ag United for SD	72,000	64,080	7,920
Farming System Imitative	25,000	20,669	4,331
MN Amino Acid Refining Soy Crude Protein	82,130	78,543	3,587
SD Pork Producers	18,000	15,000	3,000
	<u>\$ 2,700,197</u>	<u>\$ 1,911,532</u>	<u>\$ 788,665</u>
<u>FY 2014 - Project Description</u>			
SDSA Admin	\$ 60,000	\$ -	\$ 60,000
SDSA Project	613,300	-	613,300
8th Asia Grain Transportation Conference	142,377	-	142,377
ABI- Advance Biofuels Initiative	150,000	-	150,000
Annual Ag Appreciation Banquet	1,500	-	1,500
ASA Soy Stats	3,000	-	3,000
ASA Soybean Leadership College	10,000	-	10,000
ASA Soybean Marketing & Production College	5,000	-	5,000
Biodiesel Plant Phase 1	50,000	-	50,000
Bioheat Consumer Communications and Advertising	100,000	-	100,000
Black Sea Region	23,350	-	23,350
Brown County Fair	1,000	-	1,000
China Animal Utilization Technical Trade Servicing	50,000	-	50,000
China: Feed Manufacturing Technology Key Course	42,000	-	42,000
Consumer Reports	79,300	-	79,300
Cooking with Soyfoods & Pro Chefs Soyfoods Contest	3,750	-	3,750
Defining Soy Crude Protein Quality with Amino Acid Values	116,078	-	116,078
Facilitated Planning Session on Priority Initiatives	2,400	-	2,400
Grays Harbor	99,700	-	99,700
Improving Access of USAPEEC to International Markets	177,100	-	177,100
Magazine Support: SD Soybean Leader	48,000	-	48,000
Membership Center for Food Integrity	10,000	-	10,000
Membership Soy Aquaculture Alliance	25,000	-	25,000
Membership Soy Transportation Coalition	25,000	-	25,000
Minnesota Ag Expo Sponsorship	3,000	-	3,000

South Dakota Soybean Research & Promotion Council  
Contracts in Progress Schedule  
June 30, 2013

Project Description	Budgeted	Expended as of June 30, 2013	Remaining Balance June 30, 2013
North Central Soybean Research Program	\$ 150,000	\$ -	\$ 150,000
Numerous Consumer and Youth Events	15,000	-	15,000
Regional Petroleum Outreach Education Project	35,000	-	35,000
Research Farm Biosourced Building - Foam Insulation	20,000	-	20,000
RFS2 Technical and Economic Support	15,000	-	15,000
Save Our Farm Youth	2,500	-	2,500
SD FFA Star Partner Program	5,750	-	5,750
SD Livestock & Poultry Public Awareness Campaign	72,000	-	72,000
SDARL Leadership Program	20,000	-	20,000
SEE FOR YOURSELF - International, Mexico	125,000	-	125,000
SEE FOR YOURSELF Domestic	75,000	-	75,000
See FY 14 Research Tab Soybean Meal	5,000	-	5,000
Southeast Asia Animal Industry Engagement and Support	119,150	-	119,150
Southeast Asia Price Analysis and Risk Management Seminar	9,100	-	9,100
Soy Points the Way	5,000	-	5,000
Soy - Preserving the Past/Educating the Future	1,000	-	1,000
Soybean Ag Magazine	10,000	-	10,000
Soyfoods Month	750	-	750
Sponsorship & USSEC Joint Conference and Trade Show	7,500	-	7,500
Strengthening SD Soybean Producers & Rural Agribusinesses	10,000	-	10,000
Sustaining the Legacy - Estate Planning	16,000	-	16,000
US Pork High Value Cuts & Value - Added Products Japan	189,800	-	189,800
WISHH	100,000	-	100,000
WSF Liaison to Canada	22,195	-	22,195
Developing and Refining BMP for Optimum Yields	162,134	-	162,134
Saturated Buffers to Remove Nitrate from Tile Drain Water	15,000	-	15,000
Critically Evaluating the Interpretation of Soybean Plant Tissue Analysis in the 21st Century	132,876	-	132,876
Farming Systems Study: Influence of Tillage and Residue Management on Soybean Grain Yield, Nutrient Cycling, and Soil Carbon	25,000	-	25,000
Increased Profitability for SD Soybean Growers and Breeders Using Genes and Germplasm for Enhanced Tolerance to Environmental Stress	167,174	-	167,174
Effective soybean disease management practices and soybean disease education for SD	41,860	-	41,860
Soybean Disease Research and Education	12,000	-	12,000
Soybean Cyst Nematode Detection, management recommendations and coincidence with Soybean Sudden Death and Brown Stem Rot Variants	67,827	-	67,827
Management and Outreach for Soybean Insect and Mite Pests in SD	97,288	-	97,288
SDSRPC Aquafeed Research and Development Project (year 3)	252,534	-	252,534

South Dakota Soybean Research & Promotion Council  
Contracts in Progress Schedule  
June 30, 2013

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<u>Project Description</u>	<u>Budgeted</u>	<u>Expended as of June 30, 2013</u>	<u>Remaining Balance June 30, 2013</u>
Determination of the Digestibility of Nutrients in a Microbially Converted Soybean Meal and Its Impact on Nursery Pig Performance	\$ 39,389	\$ -	\$ 39,389
Increasing Both Soybean and Pork Producers' Profitability Through the Use of Heat-Treated, Cold Pressed Soybeans in Finishing Pig Diets	14,540	-	14,540
North Central Soybean Research Program	150,000	-	150,000
Dakota Lakes Research Farm Biosourced Building - Foam Insulation Component	20,000	-	20,000
	<u>\$ 4,069,222</u>	<u>\$ -</u>	<u>\$ 4,069,222</u>